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BCStats

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Exports ◆ August 2010

- There was an 11.6% increase in the value of British Columbia origin exports in the January to August period of 2010, compared to the same eight months a year earlier. Most of BC's major markets saw growth in exports, including BC's largest market, the United States (+4.4%). Japan (+14.4%) and Mainland China (+33.1%), BC's next two largest export markets, both experienced robust growth in shipments and exports to the European Union climbed 19.0%. Exports to India have doubled, rebounding from a slump last year.

- The strongest growth in exports has been for metallic mineral products, which saw shipments rise 35.3% over the first eight months of 2010. Copper ores and concentrates (+40.8%), unwrought zinc (+58.2%), molybdenum ores and concentrates (+30.3%), unwrought aluminum (+10.6%) and other metallic mineral products (+26.0%) all experienced robust growth in exports.

- Exports of solid wood products have climbed 23.3% year-to-date. Increased shipments of softwood lumber (+29.1%) have driven most of the growth. There was also a large rise in shipments of logs (+57.1%), despite the fact that log exports to the United States are down 25.5%. Most of the increase was due to jumps in log exports to Mainland China (+200.9%) and Japan (+32.1%).

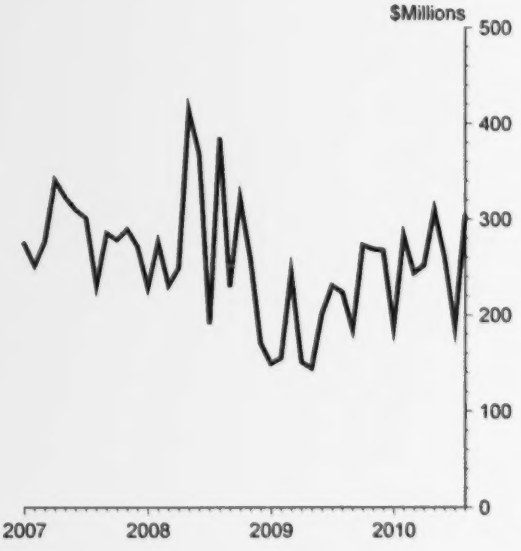
- Strong growth in exports of pulp (+39.9%) has offset the declines in other paper products such that overall pulp and paper shipments are up 12.1% year-to-date.

- Shipments of energy products rose 13.5% over the first eight months of 2010 compared to the same period a year earlier. There was strong growth in exports of natural gas (+19.0%) and coal (+8.2%).

- Exports of agriculture and food products (excluding fish) climbed 1.6%, while shipments of fish slumped 3.7%.

- Outside of the resource sectors, the news was not as good as exports of most manufactured goods fell. For example, shipments of fabricated metal products slumped 5.7%. Exports of machinery and equipment dipped 1.1%, despite an 18.5% jump in shipments of motor vehicles and parts. Exports of chemicals and chemical products also dropped, falling 9.4%.

BC's exports of metallic minerals have been trending up over the last year and a half



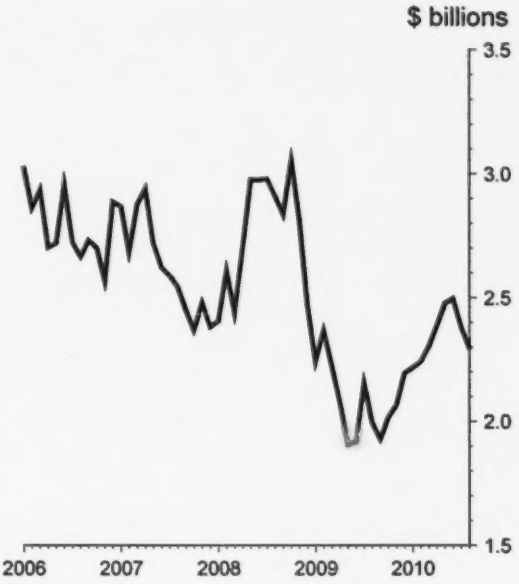
SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports dropped for the second straight month, falling 3.6% in August. Energy (-11.8%) and forest products (-4.1%) were the main contributors to the decline. Exports of machinery, equipment and automobiles were also lower, dipping 1.9%.

- The overall decline was due to a 6.8% drop in shipments to destinations other than the US, to which exports were fairly flat, edging up only 0.1%. A 26.6% slump in exports of energy products was responsible for most of the decline to the rest of the world. Conversely, energy shipments to the US climbed 15.1%.

Exports (adjusted for seasonality) fell for the second straight month in August



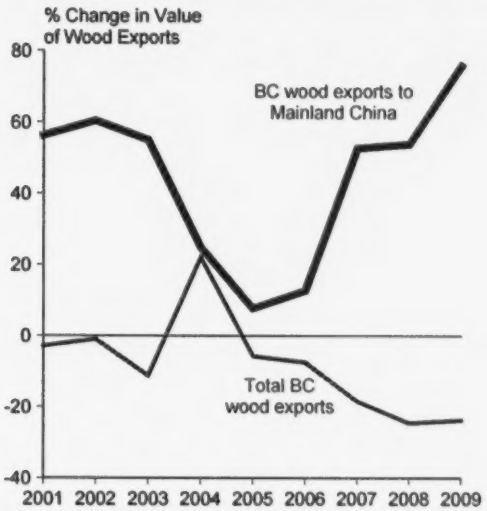
BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Aug 2008	195	861	768	344	742	2,910	1,429
Sep	209	864	809	328	626	2,836	1,399
Oct	219	1,013	840	349	629	3,050	1,560
Nov	214	930	742	344	583	2,813	1,426
Dec	207	780	697	323	463	2,470	1,299
Jan 2009	211	615	642	303	471	2,241	1,235
Feb	211	756	624	288	488	2,367	1,224
Mar	197	619	601	272	536	2,226	1,106
Apr	200	567	607	268	439	2,080	1,061
May	192	480	559	272	401	1,906	1,051
Jun	193	488	550	253	431	1,916	993
Jul	202	612	582	269	488	2,153	1,045
Aug	177	516	586	249	467	1,995	1,003
Sep	173	492	578	227	458	1,928	1,000
Oct	184	481	583	247	521	2,015	1,030
Nov	177	505	599	249	537	2,067	1,070
Dec	178	593	617	262	544	2,193	1,087
Jan 2010	175	629	646	259	507	2,216	1,123
Feb	193	581	680	246	540	2,240	1,087
Mar	193	594	680	255	579	2,301	1,137
Apr	184	661	719	263	558	2,385	1,125
May	186	702	740	260	588	2,476	1,162
Jun	188	728	775	269	537	2,496	1,213
Jul	191	722	710	268	492	2,383	1,123
Aug	202	637	681	263	515	2,298	1,124

China Could Be a Huge Market for BC Forest Products

Over the last decade, British Columbia's forest sector has experienced slumping demand for its products in foreign markets, particularly for solid wood products. One of the few bright spots has been the emergence of Mainland China as a market for BC's wood. In the last ten years, when the overall value of BC's wood exports declined in each year with the exception of 2004, shipments of solid wood products to Mainland China experienced substantial growth, with the value of solid wood exports to that country increasing by more than 23 fold from 2000 to 2009.

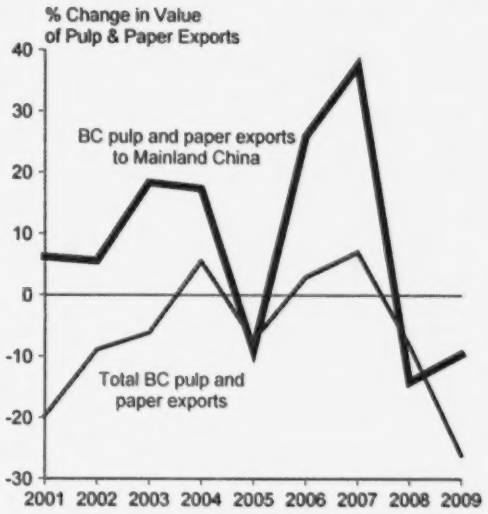
While BC's total wood exports have been slumping for most of the last decade, exports of wood to China have experienced robust growth



Source: Statistics Canada and BC Stats

While the pulp and paper sector has not seen the same kind of market expansion in China, the value of pulp and paper shipments in 2009 was almost double what it was in 2000 (an increase of 90.5%). Growth in pulp and paper exports to China has generally been quite a bit stronger than that of BC's overall pulp and paper shipments, although the value of pulp and paper shipped from BC to Mainland China has declined in three out of the last five years.

China has been a stronger market for BC's exports of pulp and paper as well



Source: Statistics Canada and BC Stats

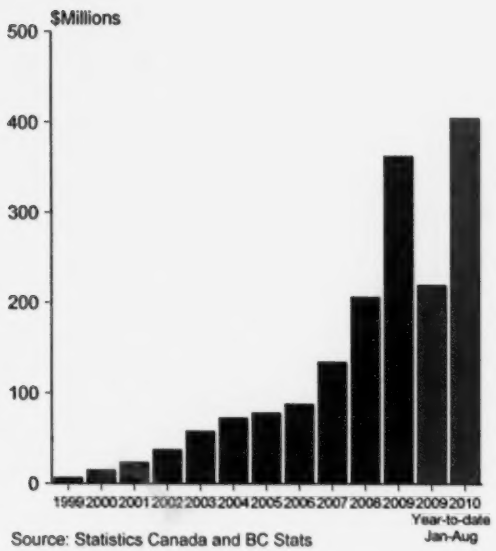
As China's economy has grown, so too has its demand for forest products for use in manufacture of goods for both domestic and export markets. China ranks among both the top importers and exporters of forest products in the world. According to a United Nations report,[1] China was the destination of about 9% of the world's imports and the origin of 8% of the

[1] United Nations Economic Commission for Europe (UNECE). *The Importance of China's Forest Products Markets to the UNECE Region.* Geneva Timber and Forest Discussion Paper 57. United Nations, Geneva, 2009, pp. 1-2.

world's exports of forest products in 2008. For the most part, China's exports consist of finished manufactured products, such as furniture and paper, whereas its imports are mainly inputs into the production process, such as logs, lumber and pulp.

While China has an abundance of its own resources, they are still insufficient to meet the country's growing demand. Short-sighted forest practises that saw forest land being cleared and converted to farmland resulted in massive flooding in 1998, which left millions homeless and thousands dead. In response to these floods, the Chinese government introduced new policies to restrict logging in selected areas, such that China must rely on foreign sources for a significant portion of its timber needs.

BC's exports of solid wood products to China have continued to grow by leaps and bounds even through the economic downturn



Source: Statistics Canada and BC Stats

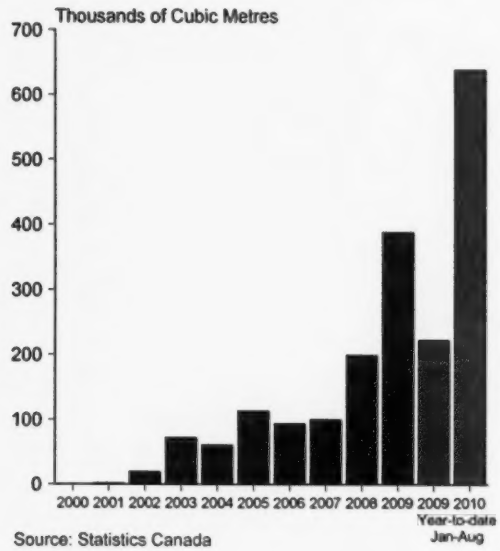
British Columbia has been a significant beneficiary of China's hunger for wood. While solid wood exports to China are still only about half the value of BC's pulp and paper shipments to that country (mainly pulp), they more than quadrupled from 2006 to 2009. China's emergence as a significant market for BC wood products and its potential to offer so much more has made Canadian forest companies sit up and take notice. For example, West Fraser Timber Company has created a Chinese language version of its website.

Until recently, Russia was the source of the lion's share of timber imported into China, particularly logs, but the imposition of a 25% log export tax by the Russian government in an attempt to encourage more domestic processing of its timber, and the threat of raising that tax to 80%, has left Chinese importers scrambling for alternative suppliers. The consequent wood fibre shortage in China resulted in increased imports of sawn lumber from both Russia and Canada (mainly BC), as well as rising imports of unprocessed timber from New Zealand and British Columbia. Thanks to the supply shortage caused by the Russian export tax, BC's solid wood shipments to China increased substantially through the economic downturn, despite an overall drop in imports of wood into China in that period.

The bulk of BC's wood exports to China are softwood lumber (about 87% in 2009), while unprocessed logs make up most of the remainder (10%). China has proven to be a good market for lower-valued lumber, such as the surfeit of pine beetle-killed wood available in British Columbia. Between 2008 and 2009, the value of BC's softwood lumber exports to Mainland China climbed 77.8%, while the volume shipped rose 116.7% as large volumes of lower-priced beetle-killed timber pulled down the average price of overall lumber exports to China.

In addition to lumber, exports of unprocessed logs to China have also experienced significant growth, almost doubling in volume from 2007 to 2008 and again between 2008 and 2009. Through the first eight months of 2010, log exports have tripled compared to the same period in 2009. The rise in Chinese demand for unprocessed timber is almost certainly the result of the inflated price of Russian timber due to the log export tax.

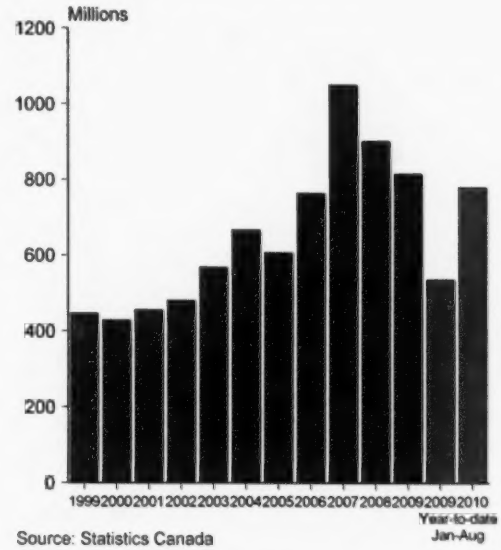
Exports of unprocessed logs to China have taken off in recent years



Source: Statistics Canada

While Canadian forest companies are only beginning to get a foothold into the Chinese market for solid wood products, they have long been a major supplier of pulp to that market. In fact, Canada is the largest supplier of pulp to China. BC's pulp and paper exports to China, of which pulp comprises about 95%, were valued at about $816 million in 2009, which was significantly lower than the peak in 2007 of over $1 billion, but substantially higher than a decade earlier when they were valued at less than $0.5 billion. The global economic slowdown was the reason for the drop in Chinese demand for BC's pulp and paper, but the market appears to have recovered as shipments to China are up 45.6% year-to-date to August.

BC's exports of pulp and paper products to Mainland China were trending up before the economic downturn



Source: Statistics Canada

The Chinese government has stated a goal of being self-sufficient with respect to timber supply by 2015, but given the continuing growth in demand for wood and paper products within that country, that goal will be difficult to achieve. More likely, China will continue to rely on imports from countries such as Canada.

One of the barriers that has prevented Canadian lumber companies from entering the Chinese market in force has been residential building codes that did not allow for wood frame construction. This barrier has been removed as the Chinese government has finally revised its building codes to include wood frame construction after years of consultation

with Canadian government organizations. While this is a positive development for BC lumber manufacturers, it would be unrealistic to assume that China will suddenly replace the United States as BC's primary market for lumber. BC will have to compete with countries such as Russia, for example, which has vast tracts of forest and is encouraging the development of more manufacturing facilities through its log export restrictions. Nevertheless, it is likely that BC will continue to see growth in exports of solid wood products to China in the years to come.

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

10-08 *China Could be a Huge Market for BC Forest Products* *(released October 2010)*

10-07 *What Could Japan's Economic Woes Mean for Trade with BC?* *(released September 2010)*

10-06 *Fifty Years of BC Exports: 1959 - 2009* *(released August 2010)*

10-05 *Canada Okays Controversial Trade Deal with Colombia* *(released July 2010)*

10-04 *Canada Has Shown No Rush to Trade with Russia* *(released June 2010)*

10-03 *Energy Fuels BC's Trade with Washington State* *(released May 2010)*

10-02 *Economic Downturn Kept the Lid on Container Traffic in 2009* *(released April 2010)*

10-01 *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

09-12 *Provincial Export Comparison* *(released February 2010)*

09-11 *BC's Exports to Oceania Watered Down in 2009* *(released January 2010)*

09-10 *High Dollar Spurs Capital Investment* *(released December 2009)*

09-09 *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

09-08 *China Continues to Buy BC Goods* *(released October 2009)*

09-07 *Energy Exports are Powering Down...For Now* *(released September 2009)*

09-06 *Adding Some Heat to Trade with India* *(released August 2009)*

09-05 *Trade with the Other Americas* *(released July 2009)*

09-04 *The State of Canada's Trade with the USA* *(released June 2009)*

09-03 *British Columbia's Trade Balance Tipped in Favour of Imports* *(released May 2009)*

09-02 *Fifteen Years of Free Trade with Mexico* *(released April 2009)*

09-01 *Twenty Years of Free Trade with the United States* *(released March 2009)*

08-12 *Canada Seeks Trade Deal with the European Union* *(released February 2009)*

08-11 *Adversity Leads to Diversity* *(released January 2009)*

08-10 *Import Content of BC's Exports* *(released December 2008)*

08-09 *BC's Trade in High Technology Goods* *(released November 2008)*

08-08 *Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?* *(released October 2008)*

08-07 *Charting BC's Exports* *(released September 2008)*

08-06 *Bad News for Newsprint Exports* *(released August 2008)*

08-05 *Asia Offers Potential as a Destination for BC Exports* *(released July 2008)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.